MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2022/2023

DFT5024- INTRODUCTION TO FINANCIAL TECHNOLOGIES

(All sections/Groups)

04 JULY 2023
09.00 A.M – 11.00 A.M
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 4 pages.
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

Structure Questions (100 Marks)

Instruction: Attempt ALL questions

Question 1

Kenanga Digital Investing (KDI) crosses RM100m in Asset Under Management (AUM)

Kuala Lumpur, 25 April 2022 – The newly launched Kenanga Digital Investing (KDI), crossed RM100 million in asset under management (AUM) after only two months since its launch in mid-February this year. Licensed by the Securities Commission Malaysia, the newly launched robo-advisor offers two products – KDI Save and KDI Invest. More importantly, the public's confidence and trust in Kenanga has brought us another step closer in our vision to revolutionise the way Malaysians save and grow their money. KDI aims to make investment simple and accessible for Malaysians, and this strong performance shows that KDI is what the market is looking for," said Ian Lloyd, Group Chief Digital Officer of Kenanga Investment Bank Berhad.

Robo-advisors aim to make investing simple by removing the guesswork in stock and fund picking. With KDI, investors get an easy-to-understand investment product that they can track anywhere, anytime while knowing that the A.I. is taking care of their investments around the clock.
Source: https://www.kenanga.com.my/news/media-releases/kenanga-digital-investing-kdi-crosses-rm100m-in-asset-under-management-aum-within-2-months/

Based on the scenario above, answer the following questions:

1) Define what is Robo-advisor.

(5 marks)

2) From launching of Kenanga Digital Investing, provide **FIVE (5)** potential advantages for investors.

(10 marks)

3) Based on Chabbra's Wealth Allocation Framework, explain the **THREE (3)** main goals bucket.

(9 marks)

(Total: 24 marks)

Continued...

Question 2

FinTech's rise in Malaysia depends on ability to build trust, accessibility, and regulation.

The rise of FinTech is important in Malaysia, where many segments continue to lack access to traditional financial services such as investments and loans. Besides gaining trust, another major challenge that FinTechs will need to solve is that of accessibility: Not all consumers are familiar with tech lingo or know how to interact efficiently with mobile devices if they have one at all. Users in cash-heavy rural areas may not be able to integrate certain FinTech solutions into their day-to-day lives because local merchants have yet to accept digital payments.

FinTechs will need to carefully consider which segments they want to serve. They will be at least partially guided by regulators, who have high expectations about FinTech's potential to shrink social divides.

To increase digital adoption, Malaysia released a digital blueprint at the end of 2020 that comprises 22 strategies, 48 national initiatives and 28 sectoral initiatives designed to help the country become a regional tech leader. The blueprint also includes initiatives to strengthen Malaysia's FinTech ecosystem.

With regulators and FinTechs coming together to solve the infrastructure gap and share data more openly with one another, there is hope for Malaysia's FinTech ecosystem to rise above its current challenges, beckoning more investments into the industry.

Based on the scenario above, answer the following questions:

1) List out **THREE (3)** major challenges of Fintech in Malaysia.

(6 marks)

2) The purpose of Malaysia Digital Blueprint released in 2020 is to strengthen Malaysia's Fintech ecosystem. In your opinion, explain **FIVE (5)** advantages of Fintech to other sectors.

(20 marks)

(Total: 26 marks)

Continued...

Question 3

Finance: Ensuring a safe investment crowdfunding landscape

The Securities Commission Malaysia (SC) introduced a legal and regulatory framework for equity crowdfunding (ECF) in 2015 and peer-to-peer (P2P) financing last year to address these concerns. According to the SC's deputy general manager Tengku Ahmad Ruzhuar Tengku Ali, the regulator views money-laundering activities to be of minimal risk on ECF and P2P platforms due to the safeguards built into their frameworks and the platform operators' vetting process. There have been several cases of fraud linked to investment crowdfunding. The first widely known case, involving US-based Ascenergy, came to light in 2015. The company had raised US$5 million from about 90 local and foreign investors by leveraging some of the better known crowdfunding platforms such as Fundable and EquityNet. Meanwhile, the largest case of fraud involving P2P lending took place in China and was uncovered in February last year. The online scam, which has been dubbed the Ezubao Ponzi scheme, raised US$7.6 billion from about 900,000 investors. When it was reported that more than 95% of the projects on the platform were fake, 26 people running the operations were arrested.
Source: https://www.theedgemarkets.com/article/finance-ensuring-safe-investment-crowdfunding-landscape

Based on the scenario above, answer the following questions:

1) Define equity crowdfunding and peer-to-peer financing.

(5 marks)

2) Why the Security Commission Malaysia concerned to develop the related legal and regulatory framework for digital investment in Malaysia.

(4 marks)

3) From your perspectives, briefly explain any **FOUR (4)** challenges of digital investment landscape.

(16 marks)

(Total: 25 marks)

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Question 4

The Emergence of Fintech in Malaysia

According to Mordor Intelligence, internet banking in Malaysia has increased in comparison to the previous decade. With the 4G advancements and the existence of low-cost data plans, mobile banking has shown immense potential in its application as it can be done anywhere and at any time. With commercial banks opting to downsize their branches and ATMs, this has also led to the rise of mobile and online banking. Initially reluctant to fintech, financial institutions have begun adapting and adjusting as per data from the 2019 World Economic Forum's Network Readiness Index wherein Malaysia placed #1 among emerging and developing Asian countries.

In comparison to other countries in Southeast Asia, Malaysia is emerging as one of the most developed fintech landscapes. According to Fintech Malaysia, online payments and transactions contributed to the national GDP by 20% in 2020, which has significantly boosted the country's economic outlook. The public sector has capitalized on such development via government initiatives that aim to generate more jobs in the fintech sector, thus alleviating growing unemployment rates.

This growing interest in fintech has paved the way for several developments in recent years. One specific example is the establishment of the Malaysia Digital Economy Corporation (MDEC), a government agency that aims to accelerate the growth of the digital economy in the country. This has included initiatives to promote fintech innovation, such as the establishment of the Malaysia Fintech Hub, which provides support and resources for fintech start-ups. Other examples include the roll-out of digital banking and e-payment services, the expansion of online lending platforms, and the adoption of technologies such as blockchain and artificial intelligence.
Source:https://ycpsolidiance.com/article/fintech-malaysia-overview-2022

Based on the scenario above, answer the following questions:

1) From your understanding, define what fintech is?

(2 marks)

2) From the scenario above, briefly describe the **FIVE (5)** drivers of transformation fintech in Malaysia.

(20 marks)

3) In your opinion, list out any **THREE (3)** benefits of emergence fintech to society in Malaysia.

(3 marks)

(Total: 25 marks)

End of Paper